

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Village of Sparta*  
*Kent County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended December 31, 2004*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Village of Sparta***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the Village of Sparta, Michigan's (the Village), financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the Village's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Village's total net assets increased by \$1,016,846 (10 percent) as a result of this year's activities. Net assets of the governmental and business-type activities increased by \$908,427 and \$108,419, respectively.
- During the year, the Village's expenses were approximately \$386,000 less than the \$2,273,868 generated by taxes and other general revenues for governmental programs.
- Of the \$11,286,541 total net assets reported, \$4,231,044 (37 percent) is unrestricted, or available to be used at the Council's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$3,227,008, which represents 217 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The Village's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds as well as additional information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Because this is the first year of this reporting format, a comparative analysis of the basic financial statements was not practicable. Comparative analyses of the basic financial statements will be made in subsequent years.

### **Government-wide financial statements**

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net assets and how they have changed. Net assets (the difference between the Village's assets and liabilities) are one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems and airport operations are reported here.
- *Component unit* - The Village includes another entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the Village is financially accountable for it.

### **Fund financial statements**

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Village Council establishes other funds to control and manage money for particular purposes (like street maintenance) or to show that it is properly using certain taxes and other revenues (like state grants collected for the street funds).

The Village has two kinds of funds:

- *Governmental funds*. Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

**Village of Sparta**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Fund financial statements (Continued)**

- *Proprietary funds.* Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.
  - In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
  - The Village uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service fund consists of its Equipment Rental Fund.

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Net assets.** The Village's *combined* net assets increased by 10 percent between December 31, 2003 and 2004. While the Village reports unrestricted net assets under both governmental and business-type activities, the unrestricted net assets of the business-type activities cannot be used to make up any net asset deficit in governmental activities.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Current assets	\$ 4,317,992	\$ 2,081,611	\$ 6,399,603
Noncurrent assets	<u>1,882,880</u>	<u>12,579,861</u>	<u>14,462,741</u>
<b>Total assets</b>	<b><u>6,200,872</u></b>	<b><u>14,661,472</u></b>	<b><u>20,862,344</u></b>
Current liabilities	588,409	404,246	992,655
Noncurrent liabilities	<u>2,353,357</u>	<u>6,229,791</u>	<u>8,583,148</u>
<b>Total liabilities</b>	<b><u>2,941,766</u></b>	<b><u>6,634,037</u></b>	<b><u>9,575,803</u></b>
Net assets:			
Invested in capital assets, net of related debt	(874,912)	5,960,119	5,085,207
Restricted	770,956	1,199,334	1,970,290
Unrestricted	<u>3,363,062</u>	<u>867,982</u>	<u>4,231,044</u>
<b>Total net assets</b>	<b><u>\$ 3,259,106</u></b>	<b><u>\$ 8,027,435</u></b>	<b><u>\$ 11,286,541</u></b>

**Village of Sparta**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE (Continued)**

**Changes in net assets.** The Village's total revenues for 2004 were \$4,338,927. Over 40 percent of the Village's revenues come from property taxes while charges for services account for 18 percent of the revenues. State shared revenue accounts for only 10 percent of the Village's revenues.

The total cost of all the Village's programs for 2004, covering a wide range of services, totaled \$3,293,407. More than 38 percent of the Village's costs relate to the provision of utility services and public safety (police and fire protection) represents 28 percent of all costs.

	<u>Governmental activities</u>	<u>Percent</u>	<u>Business- type activities</u>	<u>Percent</u>	<u>Totals</u>	<u>Percent</u>
Revenues						
Program revenues:						
Charges for services	\$ 26,614	1%	\$ 778,767	52%	\$ 805,381	19%
Operating grants	256,842	9%	-	0%	256,842	6%
Capital grants	239,464	9%	718,515	47%	957,979	22%
General revenues:						
Property taxes	1,709,110	60%	-	0%	1,709,110	40%
State grants	434,870	16%	-	0%	434,870	10%
Other	129,888	5%	16,183	1%	146,071	3%
<b>Total revenues</b>	<b><u>2,796,788</u></b>	<b>100%</b>	<b><u>1,513,465</u></b>	<b>100%</b>	<b><u>4,310,253</u></b>	<b>100%</b>
Expenses						
Public safety	862,724	45%	-	0%	862,724	26%
Water	-	0%	608,658	43%	608,658	18%
Sewer	-	0%	631,067	45%	631,067	18%
General government	488,742	26%	-	0%	488,742	15%
Public works	351,353	19%	-	0%	351,353	11%
Airport	-	0%	165,321	12%	165,321	5%
Interest	117,859	6%	-	0%	117,859	4%
Culture and recreation	51,084	3%	-	0%	51,084	2%
Legislative	16,599	1%	-	0%	16,599	1%
<b>Total expenses</b>	<b><u>1,888,361</u></b>	<b>100%</b>	<b><u>1,405,046</u></b>	<b>100%</b>	<b><u>3,293,407</u></b>	<b>100%</b>
<b>Increase in net assets</b>	<b><u>\$ 908,427</u></b>		<b><u>\$ 108,419</u></b>		<b><u>\$ 1,016,846</u></b>	

**Governmental activities**

Governmental activities increased the Village's net assets by \$908,427. The primary reason for this increase was the completion of two capital improvement projects: the West Division Avenue Reconstruction Project and the 12 Mile Road Improvement Project. A capital grant, approximating \$240,000, was received from another municipality to assist in the financing of these projects.



**Village of Sparta**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Financial analysis of the government as a whole (Continued)**

**Governmental activities (continued)**

The following table shows the costs of the Village's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Village's taxpayers by each of these functions.

The total cost of all governmental activities was \$1,888,361.

However, the amount that our taxpayers paid for these activities through general revenues was \$1,365,441. Some of the cost was paid by:

- Those who directly benefited from the programs (\$26,614), or
- Other governments that subsidized certain programs with grants and contributions (\$496,306).

The Village paid for the \$1,365,441 "public benefit" portion with \$1,709,110 in taxes and with other revenues, such as state shared revenue and interest income.

	<i><u>Total cost of services</u></i>	<i><u>Net cost of services</u></i>
Public safety	\$ 862,724	\$ 852,627
General government	488,742	472,225
Public works	351,353	(144,953)
Other	<u>185,542</u>	<u>185,542</u>
<b>Totals</b>	<b><u>\$ 1,888,361</u></b>	<b><u>\$1,365,441</u></b>

**Business-type activities**

Business-type activities increased the Village's net assets by \$108,419. The key factors which led to this condition were the increase in utility rates and fees for both water and sewer operations as well as an increase in rental fees for municipal-owned aircraft hangars at the airport.

## **FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

### ***Governmental funds***

As of December 31, 2004, the Village's governmental funds reported combined ending fund balances of \$4,082,354, an increase of \$33,638 compared to last year's balances. The General Fund experienced an increase of \$242,527 primarily because actual revenues were nearly \$180,000 higher than anticipated. In addition, these other changes in fund balances should be noted:

- The fund balance of the Major Street Fund decreased by \$154,986 due to the costs of street improvements in 2004.
- Nonmajor special revenue funds decreased slightly, by \$1,036.
- Nonmajor debt service funds decreased by \$53,903 due to a planned reduction in property tax revenues needed to fund debt service costs.

The General Fund is the chief operating fund of the Village. At the end of the fiscal year, unreserved fund balance was \$3,227,008, which represents 217 percent of the actual total General Fund expenditures for the current fiscal year. The fund balance of the General Fund represents 79 percent of the combined ending fund balances of the governmental funds.

As noted above, the Major Street Fund experienced a decrease in its fund balance during the current year. All of the available resources of this fund are restricted for maintenance and construction of major streets within the Village.

### **General fund budgetary highlights**

The City Council did not revise the budget during the year. Resources available for appropriation were \$179,658 more than the amount budgeted primarily because property taxes were \$126,125 more than anticipated. In total, actual expenditures were \$51,179 less than the amount budgeted. Capital outlay expenditures were \$169,553 less than expected due to the postponement of the Rogers Park Capital Improvement Project from 2004 to 2005. The actual expenditures of two functional categories exceeded the amounts appropriated. These budgetary violations can be explained as follows:

- General government expenditures exceed appropriations by \$110,970 because of consultant costs related to litigation, additional costs for the renovation of Village Hall, and costs related to an employee's health issues.
- Public safety expenditures exceeded appropriations by \$35,956 because of compensation issues resulting from the non-renewal of an employment contract.

### **Capital assets and debt administration**

#### ***Capital assets***

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2004, amounts to \$14,373,609 (net of accumulated depreciation). This investment includes a broad range of assets including land, streets, sewer and water facilities, buildings, and equipment. The net increase in the Village's net investment in capital assets for the current fiscal year was \$1,654,137 or 13 percent.

**Village of Sparta**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Capital assets and debt administration (Continued)**

*Capital assets (continued)*

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Infrastructure	\$ 1,093,808	\$ 11,294,306	\$ 12,388,114
Land and improvements	-	623,561	623,561
Buildings and improvements	471,841	546,028	1,017,869
Vehicles and equipment	<u>297,622</u>	<u>46,443</u>	<u>344,065</u>
<b>Totals</b>	<b><u>\$ 1,863,271</u></b>	<b><u>\$ 12,510,338</u></b>	<b><u>\$ 14,373,609</u></b>

Major capital asset events during the current fiscal year included the following:

- Infrastructure improvements on West Division Street and 12 Mile Road that were financed through the issuance of capital improvement bonds. Street costs capitalized amounted to \$1,098,714 and sewer and water line extension costs totaled \$625,968.
- A taxistreets project at the Sparta Airport, totaling \$107,000, was financed primarily by a state grant (90%) with a Village contribution of \$10,700.
- The purchase of two police cars and a truck for the DPW Department, with a total cost of \$87,538 was financed with local bank borrowing through an installment purchase agreement.

The infrastructure improvements will continue into the next fiscal year. The total cost will be about \$1 million to be financed with the remaining proceeds of the capital improvement bonds.

More detailed information about the Village's capital assets is presented in Note 5 of the basic financial statements.

*Debt administration*

At the end of the fiscal year, the Village had bonds and notes outstanding in the amount of \$9,288,402, which represents an increase of \$1,818,743 or 24 percent. All debt is backed by the full faith and credit of the Village.

During the year ended December 31, 2004, the Village increased its debt through the issuance of capital improvement bonds, in the amount of \$2,395,000, to finance several infrastructure improvement projects. The Village also entered into an installment purchase agreement, in the amount of \$87,538, to finance the purchase of several vehicles.

Other long-term debt obligations totaling \$46,388 represent accrued compensated absences.

More detailed information about the Village's long-term obligations is presented in Note 8 of the basic financial statements.

**Economic condition and outlook**

Overall, the Village of Sparta is in a relatively healthy position, financially. Over the previous years, the Village has maintained its finances wisely and created a stable reserve of funds. Additionally, growth and development within the Village have remained minimal, but positive, until recently. Over the last eighteen months, the Village has approved two new residential developments which, over the next seven years, are expected to increase the Village's population by 1,400 residents and generate over \$660,000 in additional tax revenues annually. Because of these conditions, the Village is anticipating investing portions of its reserve funds in capital improvement projects which will improve service delivery to its residents. Furthermore, the Village is projecting to lower its millage rate by three mills over the next four years as income generated for debt retirement has been greater than anticipated.

**Contacting the Village's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Sharon J. DeLange, Finance Director  
Bryan Chodkowski, Manager  
Village of Sparta  
156 E. Division  
Sparta, MI 49345-1389

Phone: (616) 887-8251  
E-mail: [manager@spartami.org](mailto:manager@spartami.org)

## INDEPENDENT AUDITORS' REPORT

**Village Council  
Village of Sparta, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sparta, Michigan, as of December 31, 2004, and for the year then ended, which collectively comprise the Village of Sparta, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the Village of Sparta, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Village of Sparta, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 15, the Village has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of January 1, 2004.

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sparta, Michigan's basic financial statements. The accompanying supplementary information, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information designated as "Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure" in the contents is also presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Village of Sparta, Michigan. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

*Siegfried Crandall P.C.*

April 26, 2005

## **BASIC FINANCIAL STATEMENTS**

**Village of Sparta**  
**STATEMENT OF NET ASSETS**  
December 31, 2004

	<b>Primary government</b>			<b>Component unit</b>
	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Totals</b>	<b>Downtown Development Authority</b>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 3,727,906	\$ 979,073	\$ 4,706,979	\$ 211,547
Cash - restricted	-	1,199,334	1,199,334	-
Receivables (net)	357,977	135,313	493,290	57,160
Advance to primary government	-	-	-	45,000
Internal balances	232,109	(232,109)	-	-
Total current assets	4,317,992	2,081,611	6,399,603	313,707
Noncurrent assets:				
Capital assets (net)	1,863,271	12,510,338	14,373,609	-
Deferred charges	19,609	69,523	89,132	-
Total noncurrent assets	1,882,880	12,579,861	14,462,741	-
Total assets	6,200,872	14,661,472	20,862,344	313,707
<b>LIABILITIES</b>				
Current liabilities:				
Payables	112,195	83,818	196,013	-
Advance from component unit	45,000	-	45,000	-
Current portion of long-term debt	431,214	320,428	751,642	-
Total current liabilities	588,409	404,246	992,655	-
Noncurrent liabilities:				
Compensated absences	46,388	-	46,388	-
Long-term debt	2,306,969	6,229,791	8,536,760	-
Total noncurrent liabilities	2,353,357	6,229,791	8,583,148	-
Total liabilities	2,941,766	6,634,037	9,575,803	-
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(874,912)	5,960,119	5,085,207	-
Restricted for:				
Public works	435,737	-	435,737	-
Capital projects	-	1,199,334	1,199,334	-
Debt service	335,219	-	335,219	-
Unrestricted	3,363,062	867,982	4,231,044	313,707
Total net assets	\$ 3,259,106	\$ 8,027,435	\$ 11,286,541	\$ 313,707

See notes to the financial statements



**Village of Sparta**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2004

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 16,599	\$ -	\$ -	\$ -
General government	488,742	16,517	-	-
Public safety	862,724	10,097	-	-
Public works	351,353	-	256,842	239,464
Culture and recreation	51,084	-	-	-
Interest on long-term debt	117,859	-	-	-
Total governmental activities	<u>1,888,361</u>	<u>26,614</u>	<u>256,842</u>	<u>239,464</u>
Business-type activities:				
Airport	165,321	219,051	-	96,300
Sewer	631,067	276,581	-	265,264
Water	608,658	283,135	-	356,951
Total business-type activities	<u>1,405,046</u>	<u>778,767</u>	<u>-</u>	<u>718,515</u>
Total primary government	<u>\$ 3,293,407</u>	<u>\$ 805,381</u>	<u>\$ 256,842</u>	<u>\$ 957,979</u>
Component unit:				
Downtown Development Authority	<u>\$ 55,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues  
Property taxes  
State shared revenue  
Interest income  
Franchise fees  
Other  
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

<i>Net (expense) revenue and changes in net assets</i>			
<i>Primary government</i>			<i>Component unit</i>
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>
\$ (16,599)		\$ (16,599)	
(472,225)		(472,225)	
(852,627)		(852,627)	
144,953		144,953	
(51,084)		(51,084)	
<u>(117,859)</u>		<u>(117,859)</u>	
 <u>(1,365,441)</u>		 <u>(1,365,441)</u>	
	\$ 150,030	150,030	
	(89,222)	(89,222)	
	<u>31,428</u>	<u>31,428</u>	
	 <u>92,236</u>	 <u>92,236</u>	
 <u>(1,365,441)</u>	 <u>92,236</u>	 <u>(1,273,205)</u>	
			\$ <u>(55,151)</u>
1,709,110	-	1,709,110	187,870
434,870	-	434,870	-
57,828	16,183	74,011	2,296
31,105	-	31,105	-
10,955	-	10,955	-
<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>(30,000)</u>
 <u>2,273,868</u>	 <u>16,183</u>	 <u>2,290,051</u>	 <u>160,166</u>
908,427	108,419	1,016,846	105,015
<u>2,350,679</u>	<u>7,919,016</u>	<u>10,269,695</u>	<u>208,692</u>
<u>\$ 3,259,106</u>	<u>\$ 8,027,435</u>	<u>\$ 11,286,541</u>	<u>\$ 313,707</u>

See notes to the financial statements

**Village of Sparta**  
**BALANCE SHEET - governmental funds**  
December 31, 2004

	<u>General</u>	<u>Major Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
Cash	\$ 2,795,488	\$ 180,832	\$ 672,543	\$ 3,648,863
Receivables, net	321,308	26,137	10,532	357,977
Due from other funds	232,109	-	-	232,109
Total assets	<u>\$ 3,348,905</u>	<u>\$ 206,969</u>	<u>\$ 683,075</u>	<u>\$ 4,238,949</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 48,897	\$ 31,733	\$ 2,965	\$ 83,595
Advance from component unit	45,000	-	-	45,000
Deferred revenue	28,000	-	-	28,000
Total liabilities	<u>121,897</u>	<u>31,733</u>	<u>2,965</u>	<u>156,595</u>
Fund balances:				
Unreserved	3,227,008	175,236	-	3,402,244
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	344,891	344,891
Debt service funds	-	-	335,219	335,219
Total fund balances	<u>3,227,008</u>	<u>175,236</u>	<u>680,110</u>	<u>4,082,354</u>
Total liabilities and fund balances	<u>\$ 3,348,905</u>	<u>\$ 206,969</u>	<u>\$ 683,075</u>	

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,624,692
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	28,000
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,710,652)
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	<u>234,712</u>
Net assets of <i>governmental activities</i> (page 5)	<u>\$ 3,259,106</u>

See notes to the financial statements

**Village of Sparta****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended December 31, 2004

	<u>General</u>	<u>Major Street</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>				
Property taxes	\$ 1,137,925	\$ -	\$ 581,185	\$ 1,719,110
Licenses and permits	35,160	-	-	35,160
State grants	445,406	175,598	70,708	691,712
Contribution from local unit	-	239,464	-	239,464
Charges for services	16,517	-	-	16,517
Fines and forfeitures	6,042	-	-	6,042
Interest and rentals	30,716	12,418	12,750	55,884
Other	28,392	-	1,237	29,629
Total revenues	<u>1,700,158</u>	<u>427,480</u>	<u>665,880</u>	<u>2,793,518</u>
<b>EXPENDITURES</b>				
Legislative	16,599	-	-	16,599
General government	474,680	-	-	474,680
Public safety	825,256	-	-	825,256
Public works	-	1,077,857	261,095	1,338,952
Culture and recreation	47,923	-	-	47,923
Debt service:				
Principal	21,837	-	381,800	403,637
Interest	5,889	-	108,135	114,024
Issuance costs	-	19,609	-	19,609
Capital outlay	95,447	-	78,753	174,200
Total expenditures	<u>1,487,631</u>	<u>1,097,466</u>	<u>829,783</u>	<u>3,414,880</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>212,527</u>	<u>(669,986)</u>	<u>(163,903)</u>	<u>(621,362)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	525,000	-	525,000
Transfers in	100,000	-	162,355	262,355
Transfer in - component unit	-	30,000	-	30,000
Transfers out	(70,000)	(40,000)	(52,355)	(162,355)
Total other financing sources (uses)	<u>30,000</u>	<u>515,000</u>	<u>110,000</u>	<u>655,000</u>
Net change in fund balances	242,527	(154,986)	(53,903)	33,638
<b>FUND BALANCES - BEGINNING</b>	<u>2,984,481</u>	<u>330,222</u>	<u>734,013</u>	<u>4,048,716</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,227,008</u>	<u>\$ 175,236</u>	<u>\$ 680,110</u>	<u>\$ 4,082,354</u>

See notes to the financial statements

***Village of Sparta***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds (Continued)**

*Year ended December 31, 2004*

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balances - total governmental funds (page 8) \$ 33,638

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives as depreciated expense.

This is the amount by which assets acquired (\$1,184,332) exceeded depreciation (\$25,270) in the current period. 1,159,062

Loan proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities in the statement of net assets. Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which net proceeds (\$505,391) exceeded repayments (\$403,637) in the current period. (101,754)

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of the following:

Net decrease in deferred revenue	(28,674)
Net decrease in accrued interest	(2,400)
Net decrease in compensated absences	270

The net expense of the internal service fund is reported with governmental activities. (151,715)

Change in net assets of *governmental activities* (page 6) \$ 908,427

**Village of Sparta**  
**STATEMENT OF NET ASSETS - proprietary funds**  
December 31, 2004

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>ASSETS</b>					
Current assets:					
Cash	\$ 510,392	\$ 355,283	\$ 113,398	\$ 979,073	\$ 79,043
Cash - restricted	630,202	569,132	-	1,199,334	-
Receivables, net	71,080	60,713	3,520	135,313	-
Total current assets	1,211,674	985,128	116,918	2,313,720	79,043
Noncurrent assets:					
Capital assets, net of accumulated depreciation	4,931,295	6,460,093	1,118,950	12,510,338	238,579
Deferred charges	39,218	30,305	-	69,523	-
Total noncurrent assets	4,970,513	6,490,398	1,118,950	12,579,861	238,579
Total assets	6,182,187	7,475,526	1,235,868	14,893,581	317,622
<b>LIABILITIES</b>					
Current liabilities:					
Payables	38,952	44,866	-	83,818	7,500
Due to other funds	-	169,800	62,309	232,109	-
Bonds and notes payable	75,000	210,000	35,428	320,428	21,280
Total current liabilities	113,952	424,666	97,737	636,355	28,780
Noncurrent liabilities:					
Bonds and notes payable	1,635,000	4,400,000	194,791	6,229,791	54,130
Total liabilities	1,748,952	4,824,666	292,528	6,866,146	82,910
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	3,221,295	1,850,093	888,731	5,960,119	163,169
Restricted for capital projects	630,202	569,132	-	1,199,334	-
Unrestricted	581,738	231,635	54,609	867,982	71,543
Total net assets	\$ 4,433,235	\$ 2,650,860	\$ 943,340	\$ 8,027,435	\$ 234,712

See notes to the financial statements

Village of Sparta

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
NET ASSETS - proprietary funds**

Year ended December 31, 2004

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>OPERATING REVENUES</b>					
Charges for services:					
Utility commodity charges	\$ 271,533	\$ 281,726	\$ -	\$ 553,259	\$ -
Rentals	-	-	123,688	123,688	131,721
Fuel sales	-	-	95,211	95,211	-
Other	5,048	1,409	152	6,609	3,404
Total operating revenues	276,581	283,135	219,051	778,767	135,125
<b>OPERATING EXPENSES</b>					
Personnel costs	235,759	219,838	29,898	485,495	52,088
Gas and oil	1,767	1,184	74,935	77,886	6,098
Supplies	32,044	53,594	776	86,414	13,999
Contracted services	104,425	24,870	574	129,869	-
Utilities	54,347	30,219	5,265	89,831	14,173
Repairs and maintenance	20,154	24,392	6,254	50,800	30,005
Internal charges - equipment rentals	4,077	12,911	1,057	18,045	-
Depreciation	131,450	131,395	30,058	292,903	54,593
Miscellaneous	7,389	6,880	5,916	20,185	16,393
Total operating expenses	591,412	505,283	154,733	1,251,428	187,349
Operating income (loss)	(314,831)	(222,148)	64,318	(472,661)	(52,224)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State grant	-	-	96,300	96,300	-
Debt service charges	260,764	350,251	-	611,015	-
Connection fees	4,500	6,700	-	11,200	-
Interest revenue	9,151	5,781	1,251	16,183	1,944
Interest expense	(39,655)	(103,375)	(10,588)	(153,618)	(1,435)
Total nonoperating revenues (expenses)	234,760	259,357	86,963	581,080	509
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(80,071)	37,209	151,281	108,419	(51,715)
Transfer out	-	-	-	-	(100,000)
<b>CHANGE IN NET ASSETS</b>	(80,071)	37,209	151,281	108,419	(151,715)
<b>NET ASSETS - BEGINNING</b>	4,513,306	2,613,651	792,059	7,919,016	386,427
<b>NET ASSETS - ENDING</b>	<u>\$ 4,433,235</u>	<u>\$ 2,650,860</u>	<u>\$ 943,340</u>	<u>\$ 8,027,435</u>	<u>\$ 234,712</u>

See notes to the financial statements

**STATEMENT OF CASH FLOWS - proprietary funds**

Year ended December 31, 2004

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 301,140	\$ 327,337	\$ 218,708	\$ 847,185	\$ -
Receipts from interfund services	-	-	-	-	135,125
Payments to vendors and suppliers	(303,132)	(231,903)	(102,088)	(637,123)	(105,936)
Payments to employees	(145,514)	(136,720)	(25,619)	(307,853)	(26,820)
Internal activity - payments to other funds	(4,077)	(12,911)	(1,057)	(18,045)	-
Net cash provided by (used in) operating activities	(151,583)	(54,197)	89,944	(115,836)	2,369
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfer out	-	-	-	-	(100,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from capital debt	1,025,782	774,695	-	1,800,477	87,538
Debt service charges	260,764	350,251	-	611,015	-
Connection fees	4,500	6,700	-	11,200	-
Acquisition of capital assets	(397,679)	(207,185)	(10,700)	(615,564)	(109,602)
Principal payments on long-term debt	(35,000)	(180,000)	(33,030)	(248,030)	(12,128)
Interest payments on long-term debt	(39,655)	(97,375)	(10,588)	(147,618)	(1,435)
Net cash provided by (used in) capital and related financing activities	818,712	647,086	(54,318)	1,411,480	(35,627)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	9,151	5,781	1,251	16,183	1,944
<b>NET INCREASE (DECREASE) IN CASH</b>	676,280	598,670	36,877	1,311,827	(131,314)
<b>CASH - BEGINNING</b>	464,314	325,745	76,521	866,580	210,357
<b>CASH - ENDING</b> (including \$630,202 and \$569,132, for the sewer and water funds, respectively, reported in restricted accounts)	<u>\$ 1,140,594</u>	<u>\$ 924,415</u>	<u>\$ 113,398</u>	<u>\$ 2,178,407</u>	<u>\$ 79,043</u>

See notes to the financial statements



**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended December 31, 2004

	<b>Business-type activities</b>				<b>Governmental activities</b>
	<b>Enterprise funds</b>				<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Airport</b>	<b>Totals</b>	
<b>Noncash capital and related financing activities:</b>					
Acquisition of capital assets	\$ (409,918)	\$ (216,051)	\$ (107,000)	\$ (732,969)	\$ (109,602)
Less:					
Increase in payables	12,239	8,866	-	21,105	-
State grant	-	-	96,300	96,300	-
Net cash used	<u>\$ (397,679)</u>	<u>\$ (207,185)</u>	<u>\$ (10,700)</u>	<u>\$ (615,564)</u>	<u>\$ (109,602)</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ (314,831)	\$ (222,148)	\$ 64,318	\$ (472,661)	\$ (52,224)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	131,450	131,395	30,058	292,903	54,593
(Increase) decrease in:					
Receivables, net	24,559	44,202	(343)	68,418	-
Increase (decrease) in:					
Payables	7,239	(7,646)	(4,089)	(4,496)	-
Net cash provided by (used in) operating activities	<u>\$ (151,583)</u>	<u>\$ (54,197)</u>	<u>\$ 89,944</u>	<u>\$ (115,836)</u>	<u>\$ 2,369</u>

See notes to the financial statements

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Village of Sparta, Michigan (the Village), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present the Village and its component unit, an entity for which the Village is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village.

*Discretely-presented component unit:*

*Downtown Development Authority:*

The Authority's governing body is appointed by the Village Council and its budget must be approved by the Village Council. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of major streets within the Village.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Village's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the Village's water distribution system.

The Airport Fund accounts for the activities of the Village's airport.

Additionally, the Village reports the following fund type:

The Motor Vehicle Pool Fund, an internal service fund, accounts for vehicle and equipment management services provided to other departments of the Village on a cost-reimbursement basis.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Village considers all receivables to be fully collectible.

*iii) Deferred charges* - Certain payments in connection with obtaining long-term financing have been deferred and are being amortized over the life of the related debt using the interest method.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$2,500 (\$0 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*iv) Capital assets (continued)*

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	20 - 50 years

*v) Compensated absences* - It is the Village's policy to permit employees to accumulate earned but unused sick pay benefits. A liability for unpaid accumulated sick leave has been recorded for the portion due to employees upon separation from service with the Village. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Sick leave is accrued as the benefits are earned by the employees, as the leave is attributable to past service and it is probable that the Village will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination of employment. Sick leave is accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination benefits, as well as other employees who are expected to receive such payments in the future. Such accumulations are reduced to the maximum amount allowed as a termination payment, based on certain limitations.

Vacation leave is earned in varying amounts depending upon years of service. Village employees are required to take their vacation leave during the twelve months following their anniversary date each year. All vacation leave not used during that period shall be forfeited. Vacation leave is not accrued as it is not a vested benefit.

*vi) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vii) Property tax revenue recognition:*

Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before September 14, after which time the bill becomes delinquent and the Village may assess penalties and interest. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Village levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

*viii) Special assessment revenue recognition:*

Special assessment revenue is recorded as deferred when initially assessed in the governmental funds. To the extent special assessments are realized, that is, collected, revenue is recognized. Special assessments are recognized as revenue when they become measurable and available. Any portion of special assessments that does not meet both criteria is reported as deferred revenue. Interest income on special assessments receivable is not accrued until its due date.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the Village Council) for the General Fund and the major special revenue funds is presented as required supplementary information.

**NOTE 3 - CASH:**

Cash, as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Total primary government</u>	<u>Component unit</u>	<u>Totals</u>
Deposits	\$ 3,727,731	\$ 2,178,407	\$ 5,906,138	\$ 211,547	\$ 6,117,685
Cash on hand	<u>175</u>	<u>-</u>	<u>175</u>	<u>-</u>	<u>175</u>
Total cash	<u>\$ 3,727,906</u>	<u>\$ 2,178,407</u>	<u>\$ 5,906,313</u>	<u>\$ 211,547</u>	<u>\$ 6,117,860</u>

***Deposits with financial institutions:***

Deposits are carried at cost and are maintained at various financial institutions in the name of the Village. State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Village's deposits are in accordance with statutory authority. At December 31, 2004, the Village and its component unit have deposits with a carrying amount of \$6,117,685 and a bank balance of \$6,262,023. Of the bank balance, \$400,000 is covered by federal depository insurance and \$5,862,023 is uninsured. The Village maintains individual and pooled cash accounts for all of its funds and its component unit. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component unit. The insured portion of the bank balance has been allocated entirely to the primary government. The Village believes that it is impractical to insure all bank deposits. The Village evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 4 - RECEIVABLES:**

At December 31, 2004, the Village's receivables were as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Intergovern- mental</u>	<u>Totals</u>
Governmental activities:				
General Fund	\$ 148,409	\$ 14,758	\$ 158,141	\$ 321,308
Major Street Fund	-	-	26,137	26,137
Nonmajor governmental funds	-	-	10,532	10,532
Total governmental activities	<u>\$ 148,409</u>	<u>\$ 14,758</u>	<u>\$ 194,810</u>	<u>\$ 357,977</u>
Business-type activities:				
Sewer Fund	\$ -	\$ 71,080	\$ -	\$ 71,080
Water Fund	-	60,713	-	60,713
Airport Fund	-	3,520	-	3,520
Total business-type activities	<u>\$ -</u>	<u>\$ 135,313</u>	<u>\$ -</u>	<u>\$ 135,313</u>

All receivables are due within one year and are considered fully collectible.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2004, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 427,500	\$ 107,778	\$ -	\$ 535,278
Furniture, fixtures, and equipment	202,764	-	2,485	200,279
Vehicles	374,198	87,538	40,285	421,451
Streets	-	1,098,714	-	1,098,714
	<u>1,004,462</u>	<u>1,294,030</u>	<u>42,770</u>	<u>2,255,722</u>
Total capital assets being depreciated				
Less accumulated depreciation for:				
Buildings	53,867	9,570	-	63,437
Furniture, fixtures, and equipment	80,691	16,040	2,391	94,340
Vehicles	220,705	49,348	40,285	229,768
Streets	-	4,906	-	4,906
	<u>355,263</u>	<u>79,864</u>	<u>42,676</u>	<u>392,451</u>
Total accumulated depreciation				
Net capital assets being depreciated	<u>649,199</u>	<u>1,214,166</u>	<u>94</u>	<u>1,863,271</u>
Total governmental activities capital assets, net	<u>\$ 649,199</u>	<u>\$ 1,214,166</u>	<u>\$ 94</u>	<u>\$ 1,863,271</u>



**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 275,886	\$ -	\$ -	\$ 275,886
Capital assets being depreciated:				
Sewer system	6,433,744	409,918	-	6,843,662
Water system	7,518,402	216,050	-	7,734,452
Land improvements	276,473	107,000	-	383,473
Buildings	637,571	-	-	637,571
Vehicles and equipment	251,613	-	-	251,613
Total capital assets being depreciated	15,117,803	732,968	-	15,850,771
Less accumulated depreciation for:				
Sewer system	1,824,917	122,032	-	1,946,949
Water system	1,205,699	131,160	-	1,336,859
Land improvements	22,228	13,570	-	35,798
Buildings	75,524	16,019	-	91,543
Vehicles and equipment	195,048	10,122	-	205,170
Total accumulated depreciation	3,323,416	292,903	-	3,616,319
Total capital assets being depreciated, net	11,794,387	440,065	-	12,234,452
Total business-type activities capital assets, net	\$ 12,070,273	\$ 440,065	\$ -	\$ 12,510,338

Depreciation expense was charged to governmental activities as follows:

General government	\$ 6,035
Public safety	14,329
Public works	4,906
Depreciation on capital assets held by internal service fund	54,593
Total governmental activities	\$ 79,863

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At December 31, 2004, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 232,109	Airport	\$ 62,309
		Water	169,800
			<u>\$ 232,109</u>

The amounts owed to the General Fund represent advances that financed capital acquisitions.

A summary of interfund transfers for the year ended December 31, 2004, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
Local Street	\$ 40,000	Major Street	\$ 40,000
Nonmajor governmental funds	122,355	General Fund	70,000
		Nonmajor governmental funds	52,355
			<u>122,355</u>
General	100,000	Equipment	100,000
Major Street	30,000	Downtown Development Authority	30,000
Totals	<u>\$ 292,355</u>	Totals	<u>\$ 292,355</u>

The transfer to the Local Street Fund represents support for additional street maintenance and repairs.

The General Fund transferred \$70,000 to the Sidewalk Fund to finance sidewalk improvements.

The Equipment Fund repaid the General Fund for the purchase of a truck in a prior year.

The transfer from the Downtown Development Authority represents a contribution for its share of street improvements.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - PAYABLES:**

At December 31, 2004, the Village's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General Fund	\$ 40,033	\$ 8,864	\$ -	\$ 48,897
Major Street Fund	31,733	-	-	31,733
Nonmajor governmental funds	<u>2,965</u>	<u>-</u>	<u>-</u>	<u>2,965</u>
Total governmental activities	<u>\$ 74,731</u>	<u>\$ 8,864</u>	<u>\$ -</u>	<u>\$ 83,595</u>
Business-type activities:				
Sewer Fund	\$ 35,152	\$ 3,800	\$ -	\$ 38,952
Water Fund	8,866	5,000	31,000	44,866
Airport Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 44,018</u>	<u>\$ 8,800</u>	<u>\$ 31,000</u>	<u>\$ 83,818</u>

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - LONG-TERM OBLIGATIONS:**

At December 31, 2004, long-term obligations consist of the following individual issues:

Primary government:

Governmental activities:

Bonds and notes:

\$99,200 1991 Sewer system special assessment bonds - payable in annual installments of \$6,800, plus interest at 7.00% to 7.20%; final payment due September 2005	\$ 6,800
\$800,000 1994 Sewer system general obligation bonds - payable in annual installments of ranging from \$35,000 to \$90,000, plus interest at 5.25% to 5.75%; final payment due May 2014	555,000
\$41,000 1997 Installment purchase note - payable in monthly installments of \$480, including interest at 7.20%; final payment due May 2007	12,345
\$170,000 1998 Installment purchase note - payable in annual installments of \$21,962, including interest at 4.95%; final payment due October 2008	78,628
\$2,480,000 2001 General obligation refunding bonds - payable in annual installments ranging from \$190,000 to \$315,000, plus interest at 3.45% to 4.35%; final payment due November 2010	1,485,000
\$525,000 2004 Capital improvement bonds - payable in annual installments ranging from \$20,000 to \$35,000, plus interest at 2.00% to 4.35%; final payment due November 2024	525,000
\$87,538 2004 Installment purchase note - payable in monthly installments of \$1,938, including interest at 3.00%; final payment due May 2008	<u>75,410</u>
Total bonds and notes	2,738,183
Accrued compensated absences	<u>46,388</u>
Total governmental activities long-term obligations	<u>\$ 2,784,571</u>

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - LONG-TERM OBLIGATIONS (Continued):**

Primary government (Continued):

Business-type activities:

Bonds and notes:

\$900,000 1994 Sewer system revenue bonds - payable in annual installments ranging from \$35,000 to \$85,000, plus interest at 5.20% to 6.00%; final payment due May 2004	\$ 645,000
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\$71,358 1996 Airport installment purchase note - payable in monthly installments of \$766, including interest at 5.25%; final payment due November 2006	16,771
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\$100,000 1999 Airport installment purchase note - payable in annual installments of \$12,638, including interest at 5.25%; final payment due November 2009	55,384
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\$4,330,000 2000 Water revenue bonds - payable in annual installments ranging from \$180,000 to \$270,000, plus interest at 2.50%; final payment due April 2021	3,805,000
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\$85,000 2002 Airport installment purchase note - payable in monthly installments of \$834, including interest at 3.34%; final payment due December 2012	69,551
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\$100,000 2003 Airport installment purchase note - payable in monthly installments of \$981, including interest at 3.34%; final payment due September 2013	88,513
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\$1,870,000 2004 Capital improvement bonds - payable in annual installments ranging from \$60,000 to \$130,000, plus interest at 2.00% to 4.35%; final payment due November 2024	<u>1,870,000</u>
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Total business-type activities long-term obligations	<u>\$ 6,550,219</u>
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**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 8 - LONG-TERM OBLIGATIONS (Continued):

Long-term obligation activity for the year ended December 31, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Primary government:					
Governmental activities:					
1991 special assessment bonds	\$ 13,600	\$ -	\$ (6,800)	\$ 6,800	\$ 6,800
1994 special assessment bonds	25,000	-	(25,000)	-	-
1994 general obligation bonds	590,000	-	(35,000)	555,000	35,000
1997 installment purchase note	17,035	-	(4,690)	12,345	5,039
1998 installment purchase note	95,775	-	(17,147)	78,628	18,095
2001 general obligation bonds	1,800,000	-	(315,000)	1,485,000	325,000
2004 installment purchase note	-	87,538	(12,128)	75,410	21,280
2004 capital improvement bonds	<u>-</u>	<u>525,000</u>	<u>-</u>	<u>525,000</u>	<u>20,000</u>
Total bonds and notes	2,541,410	612,538	(415,765)	2,738,183	431,214
Compensated absences	<u>46,658</u>	<u>101,000</u>	<u>(101,270)</u>	<u>46,388</u>	<u>-</u>
Total governmental activities	<u>\$ 2,588,068</u>	<u>\$ 713,538</u>	<u>\$ (517,035)</u>	<u>\$ 2,784,571</u>	<u>\$ 431,214</u>
Business-type activities:					
1994 sewer revenue bonds	\$ 680,000	\$ -	\$ (35,000)	\$ 645,000	\$ 40,000
1996 airport loan	24,852	-	(8,081)	16,771	8,524
1999 airport loan	65,110	-	(9,726)	55,384	10,141
2000 water revenue bonds	3,985,000	-	(180,000)	3,805,000	185,000
2002 airport loan	77,100	-	(7,549)	69,551	7,806
2003 airport loan	96,187	-	(7,674)	88,513	8,957
2004 capital improvement bonds	<u>-</u>	<u>1,870,000</u>	<u>-</u>	<u>1,870,000</u>	<u>60,000</u>
Total business-type activities	<u>\$ 4,928,249</u>	<u>\$ 1,870,000</u>	<u>\$ (248,030)</u>	<u>\$ 6,550,219</u>	<u>\$ 320,428</u>

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 8 - LONG-TERM OBLIGATIONS (Continued):**

At December 31, 2004, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended</i> <u>December 31,</u>	<u><i>Governmental activities</i></u>		<u><i>Business-type activities</i></u>	
	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>
2005	\$ 431,214	\$ 119,461	\$ 320,428	\$ 213,732
2006	416,332	100,496	336,175	198,365
2007	329,417	83,676	333,992	188,750
2008	316,220	69,470	350,099	178,393
2009	285,000	56,581	366,154	167,230
2010 - 2014	650,000	142,313	1,968,371	640,131
2015 - 2019	140,000	56,139	1,725,000	346,349
2020 - 2024	<u>170,000</u>	<u>23,644</u>	<u>1,150,000</u>	<u>96,413</u>
Totals	<u>\$ 2,738,183</u>	<u>\$ 651,780</u>	<u>\$ 6,550,219</u>	<u>\$ 2,029,363</u>

All debt is secured by the full faith and credit of the Village.

**NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:**

The Village provides pension benefits for its police chief through a defined contribution plan. This employee is eligible to participate from the date of employment. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Village contributes 10% of compensation for its police chief, which amounted to \$3,083 in 2004. The Village made its required contributions for 2004.

The Village's contributions are fully vested immediately. The Village is not a trustee of the plan, nor is the Village responsible for investment management of plan assets.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN:**

*Plan description:*

The Village's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The Village's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Village. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

*Funding policy:*

Contribution rates for each participating employer and its covered employees are established, and may be amended, by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are required to contribute 5 percent to the plan. The Village is required to contribute at an actuarially determined rate necessary to finance the coverage of its employees. Administrative costs of the plan are financed through investment earnings.

*Annual pension cost:*

For the year ended December 31, 2004, the Village's annual pension cost of \$92,832 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2002, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8 percent investment rate of return, net of administrative expenses, b) projected salary increases of 4.5 percent per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan has an unfunded actuarial accrued benefit, which is being amortized over 30 years as a level percentage of payroll.

*Three-year trend information:*

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
12/31/02	\$ 93,670	100%	\$ -
12/31/03	112,938	100%	-
12/31/04	92,832	100%	-



**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 11 - JOINT VENTURE:**

***Sparta Fire Department:***

The Village is a participant in the Sparta Fire Department (the Department) along with the Township of Sparta. The administrative board of the Department consists of members appointed by each participating unit. The Department was formed for the purpose of providing fire protection to the Sparta area. The Village has no equity interest in the Department; therefore, financial information of the Department has not been included in the Village's financial statements.

Costs of operations and capital asset acquisitions of the Department are supported by contributions from the Village, which contributes one-third, and the Township of Sparta, which contributes two-thirds of the Fire Department's proposed budget. During the year ended December 31, 2004, the Village paid the Department \$92,346.

Complete financial statements for the Department can be obtained from the Sparta Township Clerk's office at 106 East Division Street, Sparta, Michigan 49345.

**NOTE 12 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and medical claims; injuries to employees; and natural disasters. The risks of loss arising from general liability up to \$5,000,000, building contents, employees' health insurance, workers' compensation, and casualty are managed through purchased commercial insurance.

**NOTE 13 - CONSTRUCTION COMMITMENT:**

The Village has active construction projects as of December 31, 2004. Its 2004 Capital Improvement Project involves resurfacing existing streets, adjusting or replacing sewer and water mains, and curb and gutter replacement. At year end, the Village's commitment with contractors is as follows:

	<u>Project authorization</u>	<u>Expended through December 31, 2004</u>	<u>Committed</u>
2004 Capital Improvement Project	\$883,142	\$226,603	\$656,539

The street improvement portion of the commitment is being funded by bond proceeds in the Major Street Fund. The General Fund will transfer \$470,000 in 2005. The Sewer and Water funds issued capital improvement bonds to finance the utility improvement portion of the commitment.

**Village of Sparta**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 14 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the functional level.

During the year ended December 31, 2004, the Village incurred expenditures in certain budgetary funds that were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	\$363,710	\$ 474,680	\$110,970
	Public safety	789,300	825,256	35,956
Major Street	Public works	731,500	1,077,857	346,357
	Debt service	-	19,609	19,609

**NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective January 1, 2004, the Village implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets, as previously reported (General, special revenue, and debt service funds)	\$ 4,048,716
Capitalization of capital assets, net of accumulated depreciation, not previously reported.	465,630
Net assets of the internal service funds are included in governmental activities in the statement of net assets.	386,427
Other assets were not available to pay for expenditures of the prior period and, therefore, were deferred in the funds.	28,000
Some liabilities were not due and payable in the prior period and, therefore, were not reported in the funds.	(65,358)
Bonds and loans payable, that were previously reported in the general long-term debt account group.	<u>(2,541,410)</u>
Net assets, as restated	<u>\$ 2,322,005</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Village of Sparta****BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 1,011,800	\$ 1,011,800	\$ 1,137,925	\$ 126,125
Licenses and permits	30,200	30,200	35,160	4,960
State grants	410,000	410,000	445,406	35,406
Charges for services	6,000	6,000	16,517	10,517
Fines and forfeitures	5,500	5,500	6,042	542
Interest and rentals	25,000	25,000	30,716	5,716
Other	32,000	32,000	28,392	(3,608)
Total revenues	<u>1,520,500</u>	<u>1,520,500</u>	<u>1,700,158</u>	<u>179,658</u>
<b>EXPENDITURES</b>				
Legislative	18,300	18,300	16,599	1,701
General government	363,710	363,710	474,680	(110,970)
Public safety	789,300	789,300	825,256	(35,956)
Culture and recreation	74,700	74,700	47,923	26,777
Debt service:				
Principal	22,000	22,000	21,837	163
Interest	5,800	5,800	5,889	(89)
Capital outlay	265,000	265,000	95,447	169,553
Total expenditures	<u>1,538,810</u>	<u>1,538,810</u>	<u>1,487,631</u>	<u>51,179</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(18,310)</u>	<u>(18,310)</u>	<u>212,527</u>	<u>230,837</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Equipment Fund	100,000	100,000	100,000	-
Transfer to Major Street Fund	(470,000)	(470,000)	-	470,000
Transfer to Sidewalk Fund	(70,000)	(70,000)	(70,000)	-
Total other financing sources (uses)	<u>(440,000)</u>	<u>(440,000)</u>	<u>30,000</u>	<u>470,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(458,310)</u>	<u>(458,310)</u>	<u>242,527</u>	<u>700,837</u>
<b>FUND BALANCES - BEGINNING</b>	<u>2,984,481</u>	<u>2,984,481</u>	<u>2,984,481</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,526,171</u>	<u>\$ 2,526,171</u>	<u>\$ 3,227,008</u>	<u>\$ 700,837</u>

**Village of Sparta****BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended December 31, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
State grants	\$ 164,000	\$ 164,000	\$ 175,598	\$ 11,598
Contribution from local units	-	-	239,464	239,464
Interest	<u>4,500</u>	<u>4,500</u>	<u>12,418</u>	<u>7,918</u>
Total revenues	<u>168,500</u>	<u>168,500</u>	<u>427,480</u>	<u>258,980</u>
<b>EXPENDITURES</b>				
Public works	731,500	731,500	1,077,857	(346,357)
Debt service - issuance fees	<u>-</u>	<u>-</u>	<u>19,609</u>	<u>(19,609)</u>
Total expenditures	<u>731,500</u>	<u>731,500</u>	<u>1,097,466</u>	<u>(365,966)</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(563,000)</u>	<u>(563,000)</u>	<u>(669,986)</u>	<u>(106,986)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of bonds	-	-	525,000	525,000
Transfer from General Fund	470,000	470,000	-	(470,000)
Transfer from component unit	30,000	30,000	30,000	-
Transfer to Local Street Fund	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>460,000</u>	<u>460,000</u>	<u>515,000</u>	<u>55,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(103,000)	(103,000)	(154,986)	(51,986)
<b>FUND BALANCES - BEGINNING</b>	<u>330,222</u>	<u>330,222</u>	<u>330,222</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 227,222</u>	<u>\$ 227,222</u>	<u>\$ 175,236</u>	<u>\$ (51,986)</u>

**Village of Sparta****ANALYSIS OF FUNDING PROGRESS - Employee Retirement System****(Municipal Employees' Retirement System of Michigan)**

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

Actuarial valuation date December 31,	Actuarial value of assets (a)	Actuarial accrued liability (AAL) entry age (b)	Funded ratio (a)/(b)	(Over- funded) AAL (b-a)	Covered payroll (c)	(Over- funded) AAL as a percentage of covered payroll ((b-a)/c)
1997	\$ 328,675	\$ 1,540,661	21%	\$ 1,211,986	\$ 561,844	216%
1998	479,804	1,636,046	29%	1,156,242	572,059	202%
1999	607,342	1,648,845	37%	1,041,503	637,804	163%
2000	740,815	1,834,865	40%	1,094,050	679,795	161%
2001	879,543	1,974,771	45%	1,095,228	695,243	158%
2002	1,046,036	2,031,970	51%	985,934	692,359	142%
2003	1,206,736	2,447,331	49%	1,240,595	820,511	151%
2004	1,348,821	2,749,578	49%	1,400,757	861,030	163%

## **SUPPLEMENTARY INFORMATION**

**Village of Sparta**  
**COMBINING BALANCE SHEET -nonmajor governmental funds**  
December 31, 2004

<b>Special revenue funds</b>			
	<b><u>Local Street</u></b>	<b><u>Sidewalk</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>			
Cash	\$ 252,934	\$ 84,390	\$ 337,324
Receivables (net)	<u>10,532</u>	<u>-</u>	<u>10,532</u>
Total assets	<u>\$ 263,466</u>	<u>\$ 84,390</u>	<u>\$ 347,856</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables	\$ 2,965	\$ -	\$ 2,965
Fund balances:			
Unreserved, undesignated	<u>260,501</u>	<u>84,390</u>	<u>344,891</u>
Total liabilities and fund balances	<u>\$ 263,466</u>	<u>\$ 84,390</u>	<u>\$ 347,856</u>



<i>Debt service funds</i>					<i>Total other govern- mental funds</i>
<i>1991 Sewer bonds</i>	<i>1994 Special assessment bonds</i>	<i>1994 General obligation bonds</i>	<i>2001 Sewer/water refunding bonds</i>	<i>Totals</i>	
\$ 7,378	\$ -	\$ 60,515	\$ 267,326	\$ 335,219	\$ 672,543
-	-	-	-	-	10,532
<u>\$ 7,378</u>	<u>\$ -</u>	<u>\$ 60,515</u>	<u>\$ 267,326</u>	<u>\$ 335,219</u>	<u>\$ 683,075</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,965
<u>7,378</u>	<u>-</u>	<u>60,515</u>	<u>267,326</u>	<u>335,219</u>	<u>680,110</u>
<u>\$ 7,378</u>	<u>\$ -</u>	<u>\$ 60,515</u>	<u>\$ 267,326</u>	<u>\$ 335,219</u>	<u>\$ 683,075</u>

**Village of Sparta****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2004

	<b>Special revenue funds</b>		
	<b><u>Local Street</u></b>	<b><u>Sidewalk</u></b>	<b><u>Totals</u></b>
<b>REVENUES</b>			
Property taxes	\$ 150,531	\$ -	\$ 150,531
State grants	70,708	-	70,708
Interest	4,231	2,105	6,336
Other	<u>-</u>	<u>1,237</u>	<u>1,237</u>
Total revenues	<u>225,470</u>	<u>3,342</u>	<u>228,812</u>
<b>EXPENDITURES</b>			
Public works	261,095	-	261,095
Capital outlay	-	78,753	78,753
Debt service:			
Principal	-	-	-
Interest and fees	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>261,095</u>	<u>78,753</u>	<u>339,848</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(35,625)</u>	<u>(75,411)</u>	<u>(111,036)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	40,000	70,000	110,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>40,000</u>	<u>70,000</u>	<u>110,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,375	(5,411)	(1,036)
<b>FUND BALANCES - BEGINNING</b>	<u>256,126</u>	<u>89,801</u>	<u>345,927</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 260,501</u>	<u>\$ 84,390</u>	<u>\$ 344,891</u>

<i>Debt service funds</i>					<i>Total other govern- mental funds</i>
<i>1991 Sewer bonds</i>	<i>1994 Special assessment bonds</i>	<i>1994 General obligation bonds</i>	<i>2001 Sewer/water refunding bonds</i>	<i>Totals</i>	
\$ -	\$ -	\$ 76,266	\$ 354,388	\$ 430,654	\$ 581,185
-	-	-	-	-	70,708
281	930	279	4,924	6,414	12,750
-	-	-	-	-	1,237
<u>281</u>	<u>930</u>	<u>76,545</u>	<u>359,312</u>	<u>437,068</u>	<u>665,880</u>
-	-	-	-	-	261,095
-	-	-	-	-	78,753
6,800	25,000	35,000	315,000	381,800	381,800
<u>1,310</u>	<u>675</u>	<u>33,385</u>	<u>72,765</u>	<u>108,135</u>	<u>108,135</u>
<u>8,110</u>	<u>25,675</u>	<u>68,385</u>	<u>387,765</u>	<u>489,935</u>	<u>829,783</u>
<u>(7,829)</u>	<u>(24,745)</u>	<u>8,160</u>	<u>(28,453)</u>	<u>(52,867)</u>	<u>(163,903)</u>
-	-	52,355	-	52,355	162,355
<u>(29,426)</u>	<u>(22,929)</u>	<u>-</u>	<u>-</u>	<u>(52,355)</u>	<u>(52,355)</u>
<u>(29,426)</u>	<u>(22,929)</u>	<u>52,355</u>	<u>-</u>	<u>-</u>	<u>110,000</u>
(37,255)	(47,674)	60,515	(28,453)	(52,867)	(53,903)
<u>44,633</u>	<u>47,674</u>	<u>-</u>	<u>295,779</u>	<u>388,086</u>	<u>734,013</u>
<u>\$ 7,378</u>	<u>\$ -</u>	<u>\$ 60,515</u>	<u>\$ 267,326</u>	<u>\$ 335,219</u>	<u>\$ 680,110</u>

**SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 CONTINUING DISCLOSURE**  
***(UNAUDITED)***

**Village of Sparta  
Taxable Value  
Fiscal Years Ended December 31, 2000 Through 2004**

<u>Assessed Value as of December 31,</u>	<u>Year of State Equalization and Tax Levy</u>	<u>Village's Fiscal Years Ended December 31,</u>	<u>Ad Valorem Taxable Value</u>	<u>Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)</u>	<u>Total Taxable Value</u>	<u>Percent Increase Over Prior Year</u>
1999	2000	2000	\$ 84,609,611	\$4,910,450	\$ 89,520,061	2.75%
2000	2001	2001	89,091,415	3,993,050	93,084,465	3.98
2001	2002	2002	94,366,904	3,113,850	97,480,754	4.72
2002	2003	2003	97,449,805	2,723,100	100,172,905	2.76
2003	2004	2004	109,509,467	4,369,963	113,879,430	13.68
Per Capita Taxable Value for the Fiscal Year Ended December 31, 2004 (2) .....						\$27,381

(1) At the full tax rate.

(2) Based on the Village's 2000 census population of 4,159.

Source: Village of Sparta

**Village of Sparta  
Taxable Value by Use and Class  
Fiscal Years Ended December 31, 2000 Through 2004**

<u>Use</u>	<u>Fiscal Years Ended December 31,</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Agricultural.....	\$ 2,465	\$ 2,543	\$ 2,624	\$ 2,663	\$ 2,724
Commercial .....	21,730,367	23,141,367	24,253,643	24,999,292	27,499,067
Industrial .....	22,777,321	22,354,105	23,174,626	23,113,886	30,727,826
Residential.....	43,615,408	45,915,771	48,423,917	50,889,832	53,942,313
Development.....	0	83,280	85,944	87,232	490,000
Utility.....	1,394,500	1,587,400	1,540,000	1,080,000	1,217,500
	<u>\$ 89,520,061</u>	<u>\$ 93,084,465</u>	<u>\$ 97,480,754</u>	<u>\$ 100,172,905</u>	<u>\$ 113,879,430</u>
<u>Class</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Real Property .....	\$ 71,586,268	\$ 75,525,915	\$ 79,016,004	\$ 82,783,055	\$ 91,290,730
Personal Property .....	17,933,793	17,558,550	18,464,750	17,389,850	22,588,700
	<u>\$ 89,520,061</u>	<u>\$ 93,084,465</u>	<u>\$ 97,480,754</u>	<u>\$ 100,172,905</u>	<u>\$ 113,879,430</u>

Source: Village of Sparta

**Village of Sparta  
State Equalized Valuation  
Fiscal Years Ended December 31, 2003 and 2004**

<u>Assessed Value as of December 31,</u>	<u>Year of State Equalization And Tax Levy</u>	<u>Village's Fiscal Year Ended December 31,</u>	<u>Ad Valorem SEV</u>	<u>SEV of Property Granted Tax Abatement Under Act 198</u>	<u>Total SEV</u>
2002	2003	2003	\$110,420,300	\$5,575,300	\$115,995,600
2003	2004	2004	122,564,900	8,538,500	131,103,400
Per Capita SEV for the Fiscal Year Ended December 31, 2004 (1) .....					\$31,523

(1) Based on the Village's 2000 census population of 4,159.

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta**  
**SEV by Use and Class**  
**Fiscal Years Ended December 31, 2003 and 2004**

	<u>Fiscal Year Ended</u> <u>December 31, 2003</u>		<u>Fiscal Year Ended</u> <u>December 31, 2004</u>	
<u>Use</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural .....	\$ 5,100	0.00%	\$ 5,400	0.00%
Commercial .....	26,779,700	23.09	29,971,500	22.86
Industrial .....	26,741,300	23.05	35,681,700	27.22
Residential.....	60,818,200	52.43	63,737,300	48.62
Development.....	567,300	0.49	490,000	0.37
Utility.....	<u>1,084,000</u>	<u>0.94</u>	<u>1,217,500</u>	<u>0.93</u>
	<u>\$115,995,600</u>	<u>100.00%</u>	<u>\$131,103,400</u>	<u>100.00%</u>

  

<u>Class</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Property .....	\$ 96,881,200	83.52%	\$ 106,333,600	81.11%
Personal Property.....	<u>19,114,400</u>	<u>16.48</u>	<u>24,769,800</u>	<u>18.89</u>
	<u>\$ 115,995,600</u>	<u>100.00%</u>	<u>\$ 131,103,400</u>	<u>100.00%</u>

Source: Village of Sparta

**Tax Abatement**

The Village's Taxable Value does not include the value of certain facilities, which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198. The Act was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Act, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from Ad Valorem taxes for a period of up to 12 years. In lieu of Ad Valorem taxes, the eligible facility will pay an industrial facilities (the "IFT Tax"). For properties granted tax abatement under Act 198, there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility, the IFT Tax is also determined the same as the Ad Valorem Tax, but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals 1/2 of all tax rates levied by other than the state and local school district plus none, 1/2 or the entire State tax rate (as determined by the State Treasurer).

The Village has established goals, objectives, and procedures to provide the opportunity for industrial development and expansion. Since 1974, the Village has approved a number of applications for local property tax relief for industrial and commercial firms. The SEV of properties that have been granted tax abatement under the Act, removed from the Ad Valorem Tax Roll, and placed on the IFT Tax Roll totaled \$8,538,500 for the fiscal year ended December 31, 2004. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$4,369,963 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates, the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

(UNAUDITED)

**Village of Sparta  
Maximum Property Tax Rates  
Fiscal Year Ended December 31, 2004**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Applicable Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
Operating .....	17.5000	1.0000	15.9185
Streets and Highways .....	5.0000	1.0000	4.5725
Refuse Collection and Disposal.	3.0000	1.0000	2.7435

Source: Village of Sparta

**Village of Sparta  
Property Tax Rates  
Fiscal Years Ended December 31, 2000 Through 2004**

<u>Levy July 1,</u>	<u>Fiscal Year Ended December 31,</u>	<u>General (2)</u>	<u>Debt Service (1)</u>	<u>Totals</u>
2000	2000	13.25	4.75	18.00
2001	2001	12.50	5.00	17.50
2002	2002	12.50	4.50	17.00
2003	2003	13.25	3.25	16.50
2004	2004	13.25	3.25	16.50

(1) Voted.

(2) Including 1.50 mills for streets and .75 mills for debt service.

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta**  
**Homestead Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended December 31, 2000 Through 2004**

<u>Governmental Unit</u>	<u>Fiscal Years Ended December 31,</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Village of Sparta.....	18.0000	17.5000	17.0000	16.5000	16.5000
Kent Intermediate Schools..	3.8430	3.8299	3.8192	3.7903	4.5333
Grand Rapids Community					
College .....	1.8109	1.8049	1.8000	1.7865	1.7865
State Education .....	6.0000	6.0000	6.0000	5.0000	6.0000
Sparta Schools .....	5.1366	4.9326	4.6256	4.6152	7.2252
Kent County .....	5.3340	5.3230	5.3140	5.3140	5.3140
Sparta Township .....	<u>1.2526</u>	<u>1.2477</u>	<u>1.2426</u>	<u>1.2295</u>	<u>1.2270</u>
Totals .....	<u>41.3771</u>	<u>40.6381</u>	<u>39.8014</u>	<u>38.2355</u>	<u>42.5860</u>

**Village of Sparta**  
**Non-Homestead Property Tax Rates by Governmental Unit**  
**Fiscal Years Ended December 31, 2000 Through 2004**

<u>Governmental Unit</u>	<u>Fiscal Years Ended December 31,</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Village of Sparta.....	18.0000	17.5000	17.0000	16.5000	16.5000
Kent Intermediate Schools...	3.8430	3.8299	3.8192	3.7903	4.5333
Grand Rapids Community ...					
College .....	1.8109	1.8049	1.8000	1.7865	1.7865
State Education .....	6.0000	6.0000	6.0000	5.0000	6.0000
Sparta Schools.....	22.8450	22.6410	22.3339	22.3236	24.9336
Kent County .....	5.3340	5.3230	5.3140	5.3140	5.3140
Sparta Township .....	<u>1.2526</u>	<u>1.2477</u>	<u>1.2426</u>	<u>1.2295</u>	<u>1.2270</u>
Totals .....	<u>59.0855</u>	<u>58.3465</u>	<u>57.5097</u>	<u>55.9439</u>	<u>60.2944</u>

**Village of Sparta**  
**Property Tax Collections**  
**Fiscal Years Ended December 31, 2000 Through 2004**

<u>July 1</u>	<u>Fiscal Years</u>	<u>Tax Levy (1)</u>	<u>Collections</u>	<u>Percent</u>
<u>Levy</u>	<u>Ended</u>		<u>to December 31</u>	<u>Collected</u>
	<u>December 31,</u>		<u>Following Levy</u>	
2000	2000	\$1,611,359	\$1,441,155	89.4%
2001	2001	1,617,596	1,489,217	92.1
2002	2002	1,660,992	1,531,359	92.1
2003	2003	1,653,755	1,548,100	93.6
2004	2004	1,799,066	1,688,396	93.9

(1) Village taxes only. Excludes special assessments. Includes property tax collections of property granted tax abatement under Act 198.

Source: Village of Sparta

(UNAUDITED)



**Village of Sparta  
Ten Largest Taxpayers  
Fiscal Year Ended December 31, 2004**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	<u>Percent of Total (1)</u>
Federal Mogul Piston Rings, Inc.	Piston ring manufacturer	\$ 3,826,919	3.36%
Cascade Die casting	Aluminum injector molder	2,047,204	1.80
Appletree Group, LLC	Apartments	1,980,600	1.74
Old Orchard Brand	Fruit juice manufacturer	1,939,372	1.70
TESA Tuck Inc.	Adhesive tape manufacturer	1,885,533	1.66
Emmons Development Co.	Retail grocery store	1,876,645	1.65
Choice One Bank	Financial institution	1,604,441	1.41
General Formulation	Coating and laminating of films	1,342,650	1.18
Sparta Foundry Inc.	Iron Foundry	1,147,000	1.01
TESA Tape, Inc.	Adhesive tape manufacturer	<u>1,121,700</u>	<u>0.98</u>
		<u>\$18,772,064</u>	<u>16.49%</u>

(1) Based on \$113,879,430, which is the Village's Total Taxable Value for its fiscal year ended December 31, 2004. Includes the Equivalent Taxable Value of Property granted under Act 198.

Source: Village of Sparta

**Village of Sparta  
Revenues from the State of Michigan  
Fiscal Years Ended or Ending December 31, 2000 Through 2004**

	<u>Fiscal Years Ended or Ending December 31,</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Liquor license fees .....	\$ 2,709	\$ 3,367	\$ 2,857	\$ 3,004	\$ 4,055
Sales Tax .....	<u>542,988</u>	<u>551,578</u>	<u>503,716</u>	<u>469,131</u>	<u>434,870</u>
Sales tax .....	<u>\$ 545,697</u>	<u>\$ 554,945</u>	<u>\$ 506,573</u>	<u>\$ 472,135</u>	<u>\$ 438,925</u>

Source: Village of Sparta

**Legal Debt Margin**

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the Village may legally incur as of December 31, 2004.

Debt Limit (1) .....	\$13,110,340
Debt Outstanding .....	\$ 9,288,402
Less: Exempt Debt .....	<u>6,326,800</u>
Legal Debt Margin .....	<u>\$10,148,738</u>

(1) 10% of \$131,103,400 Village's Total SEV for the fiscal year ended December 31, 2004.

Source: Municipal Advisory Council of Michigan and the Village of Sparta.

(UNAUDITED)

**Village of Sparta  
Debt Statement  
December 31, 2004**

The following table reflects a breakdown of the Village's direct and overlapping debt as of December 31, 2004. To the extent necessary, the Village may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of, and interest due on, the bonds in the following table, which are designated as "UT." However, the Village's ability to levy tax to pay the debt service on the bonds, which are designated as "LT," is subject to applicable charter, statutory, and constitutional limitations.

<u>Village Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
<b>General Obligation Bonds:</b>			
Dated October 1, 2004 (LT).....	\$ 2,395,000	\$ 1,870,000	\$ 525,000
Dated April 1, 2001 (UT).....	1,485,000	-0-	1,485,000
Dated July 1, 1994 (LT).....	<u>555,000</u>	<u>-0-</u>	<u>555,000</u>
Subtotal.....	\$ 4,435,000	\$ 1,870,000	\$ 2,565,000
<b>Water and Sewer Revenue Bonds:</b>			
Dated September 28, 2000.....	\$ 3,805,000	\$ 3,805,000	\$ -0-
Dated July 1, 1994.....	<u>645,000</u>	<u>645,000</u>	<u>-0-</u>
Subtotal.....	\$ 4,450,000	\$ 4,450,000	\$ -0-
<b>Special Assessment Bonds:</b>			
Dated September 1, 1991 (LT).....	\$ 6,800	\$ 6,800	\$ -0-
<b>Installment Purchase Obligations:</b>			
Dated May 11, 2004.....	75,410	-0-	75,410
Dated August 23, 2003.....	88,513	-0-	88,513
Dated November 25, 2002.....	69,551	-0-	69,551
Dated October 21, 1999.....	55,384	-0-	55,384
Dated October 15, 1998.....	78,628	-0-	78,628
Dated May 2, 1997.....	12,345	-0-	12,345
Dated November 8, 1996.....	<u>16,771</u>	<u>-0-</u>	<u>16,771</u>
Subtotal.....	\$ 396,602	\$ -0-	\$ 396,602
Totals.....	\$ 9,288,402	\$ 6,326,800	\$ 2,961,602
Per Capita Net Village Direct Debt (1) .....			\$712
Percent of Net Direct Debt to SEV (2) .....			2.26%
<b>Overlapping Debt (3)</b>			
	<u>Gross</u>	<u>Village Share As Percent of Gross</u>	<u>Net</u>
Sparta School District .....	\$ 39,740,000	27.95%	\$ 11,107,330
Kent County .....	78,470,000	0.57	477,279
Grand Rapids Community College .....	<u>60,195,000</u>	<u>0.55</u>	<u>331,073</u>
Totals .....	\$178,405,000		\$ 11,915,682
Per Capita Net Overlapping Debt (1) .....			\$2,858
Percent of Net Overlapping Debt to SEV (2) .....			9.07%
Per Capita Net Direct and Overlapping Debt (1).....			\$3,570
Percent of Net Direct and Overlapping Debt to SEV (2).....			11.32%

(UNAUDITED)

**Village of Sparta  
Debt Statement  
December 31, 2004**

- (1) Based on the Village's 2000 census population of 4,159.
- (2) Based on \$131,103,400, which is the Village's SEV for the fiscal year ended December 31, 2004. Includes the value of property granted tax abatement under Act 198.
- (3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the Village are liable in addition to debt issued by the Village.

Source: Municipal Advisory Council of Michigan and the Village of Sparta

(UNAUDITED)